

EXCEPTION
OPEN MEETING AGENDA ITEM
BEFORE THE ARIZONA CORPORATION COM



COMMISSIONERS

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

ORIGINAL

IN THE MATTER OF THE APPLICATION OF
TABLE TOP TELEPHONE COMPANY, INC., A
NEVADA CORPORATION, FOR A HEARING
TO DETERMINE THE EARNINGS OF THE
COMPANY, THE FAIR VALUE OF THE
COMPANY FOR RATEMAKING PURPOSES,
AND TO INCREASE RESIDENTIAL RATES AS
NECESSARY TO COMPENSATE FOR THE
RATE IMPACTS OF THE FCC'S USF/ICC
TRANSFORMATION ORDER

DOCKET NO. T-02724A-13-0416

EXCEPTION Arizona Corporation Commission
DOCKETED

OCT 28 2014

DOCKETED BY

1 Table Top Telephone Company, Inc. ("Table Top") hereby takes one exception to Judge
2 Rodda's October 21, 2014, Recommended Opinion and Order ("ROO") in the above-captioned
3 docket. Table Top is authorized to state that Commission's Utilities Division Staff does not
4 object to the Exception.

5 Before proceeding with its Exception, Table Top would like to thank Judge Rodda for her
6 patience and hard work in this docket. As the Commission knows, there were five other
7 simultaneous dockets before Judge Rodda concerning other small, rural Arizona telephone
8 companies and the required response to the Federal Communication Commission's November
9 18, 2011, USF/ICC Order ("USF/ICC Order"). The USF/ICC Order would substantially reduce
10 federal high-cost-loop support ("FHCLS") to rural telephone companies if they do not raise
11 residential rates up to a calculated rate floor. The Commission has just approved rate relief in
12 five dockets.¹ Table Top's application is the final one for the Commission to consider.

13 The ROO correctly summarizes the reason for the requested residential rate increases:

¹ On October 24, 2014, the Commission approved FCC-required rate increases for Southwestern Telephone Company (Decision No. 74774), Arizona Telephone Company (Decision No. 74771), Valley Telephone Cooperative, Inc. (Decision No. 74773), Copper Valley Telephone, Inc. (Decision No. 74772), and South Central Utah Telephone Association, Inc. (Decision No. 74775).

1 Under the USF/ICC Order, to continue receiving FHCLS, Table Top must increase its
2 residential local rates to the FCC-mandated residential rate floors, or the amount of
3 FHCLS received will be reduced dollar-for-dollar for each customer by the difference
4 between the existing local rate and the new rate floor. Pursuant to the FCC's Seventh
5 Reconsideration Order, in order to preserve current FHCLS revenue levels, Table Top
6 must increase its residential local exchange rate to \$16.00 by December 1, 2014, to
7 \$18.00 by June 1, 2016, and to \$20.00 by June 1, 2017.²

8 The ROO also correctly noted that certain Table Top residential customers are subject to
9 Commission-approved zone charges, particularly Zone 1 customers, currently at a base rate of
10 \$14, plus an \$0.80 zone charge (total rate of \$14.80), and Zone 2 customers, currently at a base
11 rate of \$14, plus an \$2.80 zone charge (total rate of \$16.80).³ These rates were set by the
12 Commission in Decision No. 73875 (May 8, 2013).

13 Prior to Decision No. 73875, Table Top's base residential rates had been \$13.55, with a
14 Zone 1 charge of \$1.25 and a Zone 2 charge of \$3.25. The Decision increased base rates to \$14
15 and reduced both the Zone 1 and Zone 2 charges by \$0.45.

16 The ROO would follow the Commission's guidance concerning Zone 1. To preserve
17 federal high-cost-loop support, the base rate would be increased to \$16, which would be greater
18 than the current \$14.80. The Zone 1 charge would be no longer needed and would be eliminated.

19 Unfortunately, the ROO would actually decrease Zone 2 rates below the rates authorized
20 in the Commission's last full rate case for Table Top, Decision No. 62840 (August 24, 2000).
21 That Decision authorized a total Zone 2 residential rate of \$16.80. However, the ROO would
22 reduce the Zone 2 rates by increasing the Zone 2 base rate to \$16, but eliminating the Zone 2
23 charge altogether.

24 The Zone 2 rate reduction would be unjust and unreasonable. The recommended rate
25 decrease for Zone 2 customers was not proposed by either Table Top or Staff, and was not the
26 subject of any evidence or legal argument. Further, the estimated operating income and rate of
27 return calculations referenced in the ROO were developed based on a total Zone 2 residential
28 rate of \$16.80. Finally, the recommended rate would be below that authorized by Decision No.
29 62840

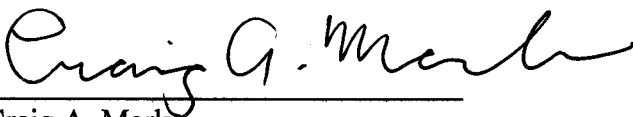
² ROO at 9:16-22.

³ ROO at 8:8:13.

1 Table Top's rate-design exhibits show an average of 594 Zone 2 customers, so the rate
2 decrease would cause a revenue loss of approximately \$475 per month for the next 18 months
3 until rates would be allowed to increase on June 1, 2016. The total revenue loss would be
4 approximately \$8,554, a significant sum for a small telephone company, already challenged by
5 customer losses and the high costs of serving low-density, rural customers.

6 **Requested Relief.** As mentioned above, Staff does not oppose Table Top's Exception.
7 Table Top asks that the Commission amend the ROO to reduce the monthly Zone 2 residential
8 charge to \$0.80 cents, rather than eliminating it altogether, as the ROO would do. A proposed
9 Amendment to this effect is attached as Exhibit A.

10 Respectfully submitted on October 28, 2014.

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14 Craig A. Marks
15 Craig A. Marks, PLC
16 10645 N. Tatum Blvd., Ste. 200-676
17 Phoenix, Arizona 85028
18 (480) 367-1956 (Direct)
19 (480) 304-4821 (Fax)
20 Craig.Marks@azbar.org
21 Attorney for Table Top Telephone Company, Inc.
22

23 **Original and 13 copies filed**
24 **on October 28, 2014, with:**
25

26 Docket Control
27 Arizona Corporation Commission
28 1200 West Washington
29 Phoenix, Arizona 85007
30

31 **Copies mailed and e-mailed**
32 **on October 28, 2014 to:**

Maureen Scott
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007
MScott@azcc.gov

Charles Hains
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007
Chains@azcc.gov

**DOCKET NO. T-02724A-13-0416
PROPOSED AMENDMENT
TO RECOMMENDED OPINION AND ORDER**

Page 15 DELETE the following phrase at lines 1-3:

it is appropriate to increase Table Top's rates for residential local service from the currently tariffed rate of \$14.00 to the FCC residential local exchange rate floor of \$16.00 and eliminate the current zone charges,

and REPLACE it with:

it is appropriate to increase Table Top's base rates for residential local service from the currently tariffed rate of \$14.00 to the FCC residential local exchange rate floor of \$16.00, eliminate the current \$0.80 Zone 1 charge, and reduce the current \$2.80 Zone 2 charge to \$0.80,

Page 15 DELETE the first ordering paragraph beginning on line 10 and REPLACE it with the following paragraph:

IT IS THEREFORE ORDERED that Table Top Telephone Company, Inc. is authorized to increase its base residential local exchange rates to \$16.00, eliminate the current \$0.80 Zone 1 charge, and reduce the current \$2.80 Zone 2 charge to \$0.80, all effective for billings on or after December 1, 2014, the implementation date for the new local exchange service rate floor as established by the FCC.

Page 15 DELETE the second ordering paragraph beginning on line 14 and REPLACE it with the following paragraph:

IT IS FURTHER ORDERED that Table Top Telephone Company, Inc. is authorized to increase its base residential local exchange rates to the lower of \$18.00 or the FCC's benchmark rate floor effective June 1, 2016, and to eliminate the \$0.80 Zone 2 charge if that benchmark rate exceeds \$16.80.